



UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

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SUMMARY: Questions and answers regarding special condition calculations under the Pell Grant Program for students whose families were affected by Hurricane Hugo or the recent earthquake in California.

FEDERAL STUDENT FINANCIAL AID HANDBOOK REFERENCE: Please refer to Chapter Two, Sections 2 and 3 of the 1989-90 Handbook for further information.

Dear Colleague:

GEN-89-53

As you know, areas in the United States, Puerto Rico, and the Virgin Islands have recently been struck by natural disasters. Hurricane Hugo hit parts of the east coast and the Virgin Islands, while an earthquake struck parts of California. These natural disasters may affect the expected family contribution of students applying for a Pell Grant.

Under the Pell Grant Program if a student meets one of the prescribed special conditions, a student's student aid index (SAI) may be calculated using expected year (calendar year 1989) income. The Secretary published the prescribed special conditions in the Federal Register on April 12, 1989 (54 F.R. 14788). "Dear Colleague" letter GEN-89-12, dated February 1989, provided financial aid administrators (FAAs) with procedures for requesting special condition calculations.

One of the prescribed conditions is met if the student, or other applicable family member, whose 1988 income from work must be reported for Federal needs analysis purposes, has been unable to pursue normal income-producing activities for at least 10 weeks during 1989 because of the occurrence in 1988 or 1989 of a natural disaster. In the enclosure to this letter, we are providing guidance for handling special condition calculations for students whose families have been affected by natural disasters.

We hope that this information is useful to you.

Sincerely,

Roberta B. Dunn
Deputy Assistant Secretary for
Student Financial Assistance

Enclosure

Questions and Answers

1. Q. For special condition purposes, what is considered a "natural disaster"? How does this definition apply to the natural disasters which have recently occurred in the United States, Puerto Rico, and the Virgin Islands?

A. For special condition purposes, a natural disaster is a misfortune caused by nature which has resulted in such extensive loss of life and property that specific localities are declared "national disaster areas" by the President of the United States. The dates the disasters struck and the localities recently declared national disaster areas by the President are as follows:

- o September 17-18, 1989 - Hurricane Hugo.

In Puerto Rico, the President declared the municipalities of Canovanas, Carolina, Ceiba, Colebra, Fajardo, Humacao, Juncos, Las Piedras, Loirza, Luquillo, Maunabo, Naguabo, Rio Grande, San Juan, Vieques, and Yabucoa national disaster areas.

In the Virgin Islands, the President declared the islands of St. Croix, St. John, and St. Thomas national disaster areas.

- o September 21-22, 1989 - Hurricane Hugo.

In South Carolina, the President declared the counties of Berkeley, Charleston, Dorchester, Georgetown, Horry, Orangeburg, and Sumter national disaster areas.

- o October 17, 1989 - An earthquake struck the San Francisco Bay area.

In California, the President declared the city of San Francisco and the counties of Alameda, Monterey, San Benito, San Mateo, Santa Clara, and Santa Cruz national disaster areas.

2. Q. Which students are eligible for a special condition calculation as a result of a natural disaster?

A. A student is eligible for a special condition calculation if:

- o In the case of an independent student, the student or the student's spouse whose 1988 income from work must be reported has been unable to pursue normal income-producing activities for at least 10 weeks during 1989 because of the occurrence in 1988 or 1989 of a natural disaster; or
- o In the case of a dependent student, a parent whose 1988 income from work must be reported has been unable to pursue normal income-producing activities for at least 10 weeks during 1989 because of the occurrence in 1988 or 1989 of a natural disaster.

3. Q. Are there any restrictions regarding the 10 week period?

A. Since the reduction of income must be directly related to the natural disaster, the ten week period can begin no earlier than the date of the natural disaster. The ten week period can be composed of ten cumulative weeks; it does not have to be composed of ten consecutive weeks.

4. Q. Does the student (or other applicable family member) have to be totally unemployed in order for the student to be eligible for a special condition calculation due to a natural disaster?

A. No. If a student (or applicable family member) has experienced any sort of a reduction in income as a result of a natural disaster, the student can qualify for a special condition calculation.

5. Q. If a student (or applicable family member) did not experience a loss of income due to a natural disaster but did experience a substantial loss of property, can the student qualify for a special condition calculation?

A. No, there is no provision for any special consideration to be given to a student under this circumstance. (Note: In some instances a student who qualifies for a special condition calculation can report his or her current asset information. See question and answer #11.)

6. Q. Is a student required to document his or her eligibility for a special condition calculation?

A. There is no Federal requirement that a student provide documentation of this nature. However, an FAA may request a student to provide such documentation if the FAA so desires.

7. Q. If a student qualifies for a special condition calculation, whose income is used in the needs analysis calculation?

A. A student who meets a special condition in the 1989-90 award year will have his or her SAI calculated using the following income:

- o For dependent students - parents' expected year (1989) and student's and spouse's base year (1988) income.
- o For independent students - student's and spouse's expected year (1989) income.

8. Q. How does a student apply for a special condition calculation?

A. The legislation requiring the change in special condition procedures was enacted after the development work for the 1989-90 application processing system had been completed. Therefore, there is no special conditions application in 1989-90, and there is no way to report that a student is eligible for a special condition calculation on the 1989-90 AFSA or any of the Multiple Data Entry (MDE) processor application forms for 1989-90.

For the 1989-90 award year, the Student Aid Report (SAR) and the Correction Application for Federal Student Assistance (Correction AFSA) may be used for this purpose by using the "School Use Only" box on either of these forms. The recomputation of the SAI on the basis of a special condition can occur only after a student has brought either his or her SAR or Correction AFSA to the FAA. Only the Federal central processor is able to process requests for Pell Grant special condition calculations. The MDE agencies do not have the capability of making these calculations.

9. Q. How is the SAR used to report special condition status?

A. A student who wishes to file for an eligibility determination made on the basis of a special condition must complete the appropriate "Expected 1989 Income and Benefits Section" (either Section M for dependent students or Section G for independent students) on Part 2 of the SAR. The FAA then indicates the special condition status by completing the appropriate boxes ("Special Condition," "Pell Institution No.," and "FAA Signature") in the "School Use Only" box on Part 2 of the SAR.

10. Q. How and when is the Correction AFSA used to report special condition status?

A. A student who wishes to file for an eligibility determination based on a special condition may use the Correction AFSA. In this situation, the Federal central processor will use estimated data for the calculation of the SAI. In addition to providing all of the applicable base year income information, the student must complete Step 9 on the "Supplemental Information" portion of the Correction AFSA, "Expected 1989 taxable and non-taxable income and benefits," by completing either the "Parents" column, if the applicant is dependent, or the "Student (& Spouse)" column, if the applicant is independent. The FAA then indicates special condition status by checking the box in the "School Use Only" box of the Correction AFSA.

Note: The following factors may confuse students--

- o Even if the student qualifies for the simplified needs test, the applicant must complete Step 9 to receive a calculation based on meeting a special condition; and
- o Even if neither parent nor the student is a dislocated worker (both answers to Question 9-1 are no), the student must answer the appropriate 1989 income questions.

11. Q. In the case of a student who qualifies for a special condition calculation, if the student's family has experienced a change in their assets (for example--the value of the family home), can the student report the current asset value information when requested in the calculation?

A. Yes. The student can report the current asset value information using the Correction AFSA. For purposes of the calculation, the Correction AFSA is treated like a first calculation, except for change in dependency status.

12. Q. Should assistance received by the student as a result of a natural disaster be reported as either a special condition or as part of the regular income calculation?

A. Neither. The laws governing natural disasters do not require that assistance received as a result of a natural disaster be reported as part of the regular income calculation. The purpose of the special condition calculation is to determine an individual's eligibility for aid.

13. Q. Do SARs which are produced after filing a request for a SAI based on meeting a special condition have any unusual features?

A. Yes. These SARs have the following features--

- o SAR Comments: One or the other of two different special condition-related comments will be on a SAR. The applicant is told that either:
 - The SAR was produced as a result of a request for a special condition calculation, or
 - The special condition was not accepted. This could happen because the FAA did not complete the school use box properly, the applicant did not complete the expected year income section, or the Correction AFSA/SAR did not contain the appropriate signatures.
- o Estimated FC: In instances where expected year income is used to determine eligibility, the FC has an upper-case "E" to its immediate right. This "E" is to remind the FAA that the FC calculation (calculated on expected year income) is an estimated number. However, FAAs must determine on an individual basis if they wish to exercise professional judgment and use the special condition FC to award campus-based aid and to certify a Stafford loan. In these instances the FAA must place appropriate documentation in the student's file.
- o Special condition filers who are not dislocated workers continue to have dependent student's (and spouse's) base year income used in the eligibility calculation.
- o The home value of a dislocated worker or a displaced homemaker is always excluded from the calculations, without regard to whether the student is a special condition filer.

14. Q. Does an FAA have the authority to make an adjustment to a student's family contribution (FC) and cost of attendance under the campus-based and Stafford Loan programs in an instance where a student's family has been affected by a natural disaster?

A. Yes. While the Appropriations Act (Public Law 100-436) rescinded FAA adjustment discretion under the Pell Grant Program for the 1989-90 award year, the legislation did not change an FAA's authority to make individual adjustments to a student's FC and cost of attendance under the campus-based and Stafford Loan programs.

In the case of adjustments affecting a student's FC, adjustments can be made to the data elements, to the methodology, directly to the FC itself, or to the cost of attendance. Adjustments can be made because the student's family has experienced a loss of income, a loss of property, or for any other reason the FAA believes is appropriate. Of course, any time an FAA uses this authority, the student's file must be documented justifying the individual adjustment.

